

JG Summit Holdings (JGS PM)

Not so slick

Sustained recovery in CEB boosts JGS' earnings

JGS reported 2Q23/1H23 earnings of PHP5.4b/PHP10.4b (2Q22/1H22: PHP0.1b/-PHP2.7b). Excluding FX gains, 1H23 core net income would be PHP9.5b, which is in line with our PHP19.3b full-year forecast, at 49%, but ahead of consensus' PHP17.4b, at 55%. While cumulative earnings of URC and RLC rose 12% YoY, the return to profit of CEB was the biggest driver of JGS' earnings performance in 1H23. We raise our FY23/24 earnings forecasts by 4%/1% but keep our NAV-based TP unchanged at PHP57. While we reiterate our BUY call on JGS, the uptrend in oil prices could create an overhang on this oil-sensitive stock. We think URC, MER and TEL offer a more defensive play to this group.

Vulnerability to higher oil prices

Fuel and oil account for c.16% of JGS' consolidated cost base, while oil-sensitive raw materials and people costs account for another c.46%. Although we expect crude oil prices to be lower in FY23/24 vs FY22 averages, futures prices in Sep-Dec 2023 and FY22 have climbed by 22% and 19%, respectively, from May 2023, and could potentially impinge on JGS' margins. Based on our estimates, for every USD10/bbl increase in oil price, JGS' FY24 earnings could decline by 14%, assuming zero hedging.

Raising FY23/24 earnings forecasts slightly

Our higher earnings forecasts for URC, MER and TEL are offset by higher oil price assumptions for CEB and JGS Olefins such that our FY23/24 earnings forecasts increase by only 4%/1% to PHP20.1b/PHP18.5b.

PHP57 TP unchanged

Our higher TPs for URC, TEL and MER are offset by the lower book value of JGS Olefins, which booked substantial losses in 1H23, such that our NAV-based TP for JGS is unchanged at PHP57. While the stock is undervalued and is trading at a wide RNAV discount of 31% (5-year average discount is 14%), we expect the uptrend in oil prices to dampen sentiment on the stock, despite its sustainable earnings performance.

FYE Dec (PHP m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	218,727	288,550	320,860	351,439	358,606
EBITDA	14,114	19,426	46,335	47,669	53,996
Core net profit	5,108	(2,549)	20,092	18,545	21,494
Core EPS (PHP)	0.68	(0.34)	2.67	2.47	2.86
Core EPS growth (%)	nm	nm	nm	(7.7)	15.9
Net DPS (PHP)	0.38	0.40	0.40	0.40	0.40
Core P/E (x)	78.0	nm	13.4	14.5	12.5
P/BV (x)	1.2	1.2	0.8	0.8	0.7
Net dividend yield (%)	0.7	0.8	1.1	1.1	1.1
ROAE (%)	1.6	0.2	6.1	5.4	5.9
ROAA (%)	0.5	(0.2)	1.8	1.6	1.8
EV/EBITDA (x)	57.0	32.5	12.9	12.9	11.6
Net gearing (%) (incl perps)	66.9	33.9	44.8	43.1	39.4
Consensus net profit	-	-	25,106	35,124	35,166
MIBG vs. Consensus (%)	-	-	(20.0)	(47.2)	(38.9)

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BUY

Share Price	PHP 35.70
12m Price Target	PHP 57.00 (+61%)
Previous Price Target	PHP 57.00

Company Description

JG Summit is a holding company, which engages in the manufacture and distribution of agro-industrial products, real estate and management services.

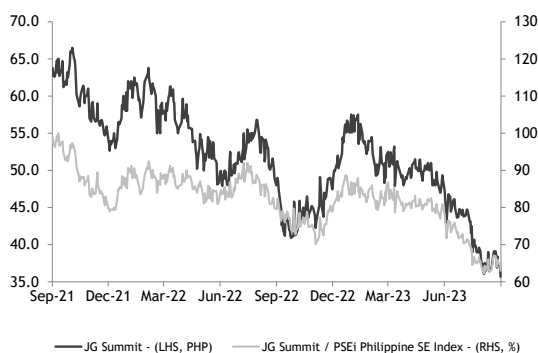
Statistics

52w high/low (PHP)	57.50/35.70
3m avg turnover (USDm)	1.3
Free float (%)	39.9
Issued shares (m)	7,163
Market capitalisation	PHP255.7B
	USD4.5B

Major shareholders:

Gokongwei family	56.5%
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Price Performance



	-1M	-3M	-12M
Absolute (%)	(6)	(25)	(26)
Relative to index (%)	(2)	(20)	(21)

Source: FactSet

Stocks mentioned:

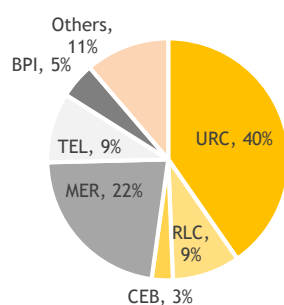
Ayala Corp (AC PM, CP: PHP623, BUY, TP: PHP990)
Alliance Global (AGI PM, CP: PHP12.5, Not rated)
Bank of the Philippine Island (BPI PM, CP: PHP108, BUY, TP: PHP128)
Cebu Air (CEB PM, CP: PHP35, Not rated)
Filinvest Development Corp (FDC PM, CP: PHP5.6, Not rated)
Manila Electric Company (MER PM, CP: PHP362.6, BUY, TP: PHP387)
Metro Pacific Investment Corp (MPI, CP: PHP5.1, BUY, TP: PHP6.8)
PLDT (TEL PM, CP: PHP1,096, BUY, TP: PHP1,978)
Robinsons Land (RLC PM, CP: PHP15, Under review)
Universal Robina Corp (URC PM, CP: PHP116, BUY, TP: PHP170)

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Tear Sheet Insert

Value Proposition

- JGS is the holding company of the Gokongwei family's stakes in URC (the largest snackfood company in the Philippines), RLC, CEB (the country's leading low-cost carrier), TEL (oldest telco), MER (largest power distribution company in the country) and UIC.
- This is the only Philippine conglomerate with sizeable ASEAN exposure via URC, CEB and UIC.
- About 90% of JGS's NAV is listed and are directly accessible.

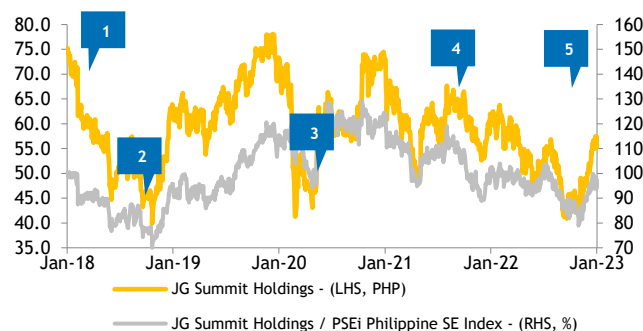
JGS's NAV composition



Source: Maybank IBG Research

Price Drivers

Historical share price trend



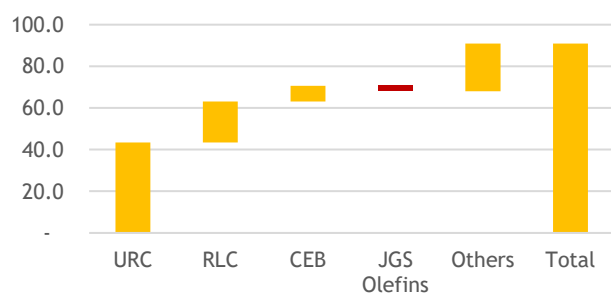
Source: Company, Maybank IBG Research

- Feb 2018: JGS, in a consortium with Ayala Corp, Alliance Global, Filinvest Development Corp and Metro Pacific, submitted a proposal to redevelop the NAIA airport.
- Inflation in the Philippines averaged at 6.7% in 2018, exposing URC and CEB to margin pressures.
- Lockdown in Mar 2020 due to the pandemic, halting domestic and international travel.
- Partial reopening measures allowed domestic travel, increasing CEB's domestic routes.
- Sep 2022: JGS and RRHI announced that they have signed an agreement to swap their stake in Robinsons Bank for 6% of BPI common shares.

Financial Metrics

- Much of JGS' positive earnings trajectory in 1Q23 is attributable to the earlier-than-expected recovery of CEB, which benefited from improving domestic and international mobility and the downtrend in oil prices starting 4Q22. We expect CEB to post earnings by YE23 as it further expands its international routes. We expect CEB to post earnings by YE23 as it expands its international routes.
- The imposition of safeguard duties on polyethylene imports should improve prospects for JGS Olefins but given its lack of pricing power, we expect it to continue to incur gross losses in FY23/24.
- Anticipated losses from JGS Olefins will keep the group's net gearing level high. Nevertheless, JGS's debt-servicing coverage ratio should remain manageable at above 1.0x.

JGS's consolidated gross profit breakdown (FY23E) (PHPb)



Source: Maybank IBG Research

Swing Factors

Upside

- Cash-positive M&A or divestments.

Downside

- Weak PHP, rising raw material costs (including jet fuel).
- Increased mobility restrictions on domestic and international air travel.
- The market undervaluing JGS's subsidiaries.

Risk Rating & Score¹	48.2 (Severe Risk)
Score Momentum²	-1.3
Last Updated	18 Mar 2021 ²
Controversy Score³ (Updated: 21 Sep 2022)	1 (Low)

Business Model & Industry Issues

- In 2019, JGS released its inaugural sustainability report, which was the product of the collaboration of its subsidiaries' CEOs, highlighting its five core sustainability principles: (1) climate action; (2) shared success across JGS' different stakeholders; (3) resource efficiency and circularity; (4) employee engagement and development; and (5) innovative and accessible products and services that will improve Filipinos' quality of life. By 2020, the group's sustainability report followed the template prescribed by the local Securities and Exchange Commission but its contents remained consistent with the original principles identified in 2019.
- At the conglomerate level, JGS is most exposed to governance risk due to: (i) related-party transactions (RPT) arising from its highly synergistic portfolio; and (ii) the high level of family participation on the board. The group is aggressively professionalising and these governance risk exposures are partially mitigated by the presence of independently-chaired RTP and audit committees.
- JGS' business ethics and corporate governance initiatives are at par with its peers but it garnered a low Sustainalytics risk rating of 49.5 (Severe) mainly due to subsidiary-level exposures to carbon, product governance, resource use and emissions, effluents and waste risks, which the group has been actively addressing since 2019. JGS' increasingly committed stance on sustainability is showing more concretely on its score momentum of -3.3.

Material E issues

- JGS actively monitors its energy and water consumption metrics and has active targets to increase utilization from renewable energy sources or decrease overall consumption. In 2020, the group consumed 2,753,757 GJ of electricity, 7% of which were from renewable and clean (LNG) sources. This is 68% lower than total consumption in FY19 and largely due to the limited operations of URC and RLC during the lockdowns.
- Similarly jet fuel consumption (by CEB) is lower at 7,784,171.11 GJ, from 19,664,479.90 GJ in 2019.
- The group consumed 8,947,163 cubic metres of water in 2020, of which 240,754 cubic metres were recycled. URC has active programmes (under its LEAN initiative) to reduce water consumption and the group is also exploring incorporating other technologies, such as rainwater harvesting, water catchment, and impounding, into its other operations.
- Less than 1% of the group's material inputs are renewable materials but URC was able to recycle 6% of total materials used.

Material S issues

- JGS has 22,508 employees, only 40% of which are female.
- The average training hours per employee was 19 or a total of 415,883 hours in 2020.
- 33% of employees are covered by a collective bargaining agreement, most of which are workers in the factories of URC and the properties of RLC.

Key G metrics and issues

- In 2020, JGS's board of directors (BOD) had 10 members, six of which are family members and only three are independent directors.
- There are two women on the BOD, and both are family members.
- The six Gokongwei family members (related to the founder, John Gokongwei) on the BOD are: James Go (brother), Lily NgoChua (sister), Lance Gokongwei (son), Patrick Henry Go (nephew), Johnson Robert Go (nephew) and Robina Gokongwei Pe (daughter). There is also one family member on the executive team: Lisa Gokongwei Cheng (daughter). No limit has been formally set as to the number of family members that can be present on the board or in the executive team.
- This high level of family participation is mitigated by the presence of the RPT, corporate governance, board risk oversight and audit committees, all of which have independent directors.
- In 2020, the CEO and the four most highly compensated executive directors received PHP126.4m, 10% lower relative to the total compensation in 2019 (PHP139.7m), and accounted for less than 1% of consolidated revenue.
- Sycip Gorres Velayo and Co., the local partner of Ernst & Young, is the auditor of JGS.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 61)						
	Particulars	Unit	2019	2020	2021	SM (2021)
E	Scope 1 GHG emissions	m tCO ₂ e	2.50	1.35	1.48	0.29
	Scope 2 GHG emissions	m tCO ₂ e	0.48	0.31	0.29	1.36
	Total	m tCO₂e	2.98	1.66	1.77	1.65
	Scope 3 GHG emissions	m tCO ₂ e	NA	NA	NA	0.44
	Total	m tCO₂e	2.98	1.66	1.77	2.09
	GHG intensity (Scope 1+2)	CO ₂ e/PHPm	9.09	7.43	7.64	0.18
	Green energy share of capacity	%	1%	3%	39%	23%
	Water recycled as % of capacity	%	0.6%	2.7%	5.6%	81%
	Electricity intensity/equity capital	GJ/PHPm	112.0	77.2	78.2	N/A
	% of recycled material used	%	5.8%	6.2%	6.0%	N/A
	% of debt from green instruments	%	0	0	0	0
	NO _x (excluding N ₂ O)	Tons	9,662.0	470.8	464.7	N/A
S	Sox	Tons	869.0	125.4	216.8	N/A
	SPM/Particulate matter (PM ₁₀)	Tons	76.0	26.7	28.6	N/A
	% of women in workforce	%	42%	40%	40%	63%
	% of women in management roles	%	NA	26.0%	NA	58%
G	Average training hours	hours	31.7	18.8	20.9	17
	Lost time injury frequency (LTIF) rate	number	54	27	55	0
	MD/CEO salary as % of reported net profit	%	0.4%	31.8%	1.3%	0.3%
	Board salary as % of reported net profit	%	1.1%	77.9%	3.9%	1.1%
	Independent directors on the Board	%	30%	30%	44.4%	37.5%
	Female directors on the Board	%	20%	20%	11.1%	25.0%

Qualitative Parameters (Score: 33)	
a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?	<i>Yes, there is an ESG policy in place and yes there is a Corporate Governance and Sustainability Committee.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>No.</i>
c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?	<i>No, JGS has begun to integrate sustainability risk into its Integrated Risk Management (ERM), which should serve as the foundation for the adoption of TCFC reporting.</i>
e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?	<i>JGS is still in the process of structuring Scope 3 tracking.</i>
f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>In RLC, the company replaced 6 Chillers in 4 malls in 2021 leading to energy savings, roll out of digital platform in banking operations has led to 13.5MT paper saving, recyclable material usage in carrier bags and reprocessing material for jerry cans. Project Jaguar has led to reduction in energy use ratio by 6% in 2021 vs 2018. Recycling of water has helped improve water usage ratio by 49% in 2021 vs 2018</i>
g) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<i>Targets are still under development but they are not closed off to the idea.</i>

Target (Score: 0)		
Particulars	Target	Achieved
Define climate action targets	By YE22	Not disclosed
Define Scope 1/2/3 reduction targets	By YE30	Not disclosed
Net zero GHG	By YE50	Not disclosed
Impact		
NA		
Overall Score: 39		
As per our ESG matrix, JG Summit (JGS PM) has an overall score of 39.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	61	31
Qualitative	25%	33	8
Target	25%	0	0
Total			39

As per our ESG assessment, As per our ESG assessment, JGS' Sustainability journey is at its early stages although we recognise various ESG initiatives at the subsidiary level (URC and CEB, in particular). JGS further needs to define tangible mid/long-term targets, measurement metrics and reporting procedures. JGS' overall ESG score falls below average, at 39 (average ESG rating = 50), but it shows strong upward trajectory over the short-term.

1. 2Q23/1H23 earnings forecasts

JGS reported 2Q23/1H23 earnings of PHP5.4b/PHP10.4b (2Q22/1H22: PHP0.1b/-PHP2.7b). Excluding the impact of the favourable PHP movement in 1H23, 1H23 core net income would be PHP9.5b, which is in line with our PHP19.3b full-year forecast, at 49%, but ahead of consensus' PHP17.4b, at 55%.

Fig 1: JGS's 2Q23/1H23 earnings

PHPm	2Q23	2Q22	YoY	1Q23	QoQ	1H23	1H22	YoY	FY23E	%
Revenue	76,754	80,699	-4.9%	78,498	-2.2%	155,252	144,557	7.4%	323,528	48.0%
Foods	38,823	35,325	9.9%	39,807	-2.5%	78,629	71,108	10.6%	159,509	49.3%
Air transportation	22,674	13,973	62.3%	20,877	8.6%	43,551	20,682	110.6%	87,263	49.9%
Real estate/ hotels	9,530	20,177	-52.8%	8,888	7.2%	18,418	26,619	-30.8%	39,799	46.3%
Petrochemicals	5,506	8,378	-34.3%	8,710	-36.8%	14,216	20,734	-31.4%	28,802	49.4%
Others	222	2,846	-92.2%	215	3.5%	437	5,415	-91.9%	8,155	5.4%
Cost of sales and services	-55,220	-63,374	-12.9%	-58,180	-5.1%	-113,401	-114,067	-0.6%	-235,630	48.1%
Gross profit	21,534	17,325	24.3%	20,317	6.0%	41,851	30,490	37.3%	87,897	47.6%
GPM	28.1%	21.5%		25.9%		27.0%	21.1%		27.2%	
General and administrative expenses	-13,603	-14,280	-4.7%	-13,426	1.3%	-27,029	-27,581	-2.0%	-54,227	49.8%
EBIT	7,931	3,045	160.4%	6,891	15.1%	14,822	2,909	409.5%	33,670	44.0%
EBITM	10.3%	3.8%		8.8%		9.5%	2.0%		10.4%	
Interest Expense	4,383	3,749	42.1%	3,759	16.6%	8,143	6,520	43.5%	14,427	56.4%
Interest Income	-2,775	-1,953	5.7%	-3,570	-22.3%	-6,344	-4,421	29.4%	-12,433	51.0%
Equity in net earnings of assocs and JVs	510	482	16.9%	469	8.8%	978	756	24.9%	2,055	47.6%
Other Income	926	-1,758	NA	1,147	-19.3%	2,073	-4,662	NA	-	
Net income before taxes	10,975	3,566	207.8%	8,696	26.2%	19,671	1,103	1684.0%	37,720	52.1%
Income tax (-)	-1,575	-1,050	50.0%	-312	404.0%	-1,887	-1,292	46.1%	-3,256	58.0%
Effective tax rate	14.3%	29.4%	-51.3%	3.6%	299.3%	9.6%	117.2%	-91.8%	8.6%	
Net income	9,400	2,516	273.7%	8,383	12.1%	17,784	-189	NA	34,465	51.6%
Less: Minority share	-4,022	-2,472	62.7%	-3,385	18.8%	-7,407	-2,560	189.4%	-14,373	51.5%
Net income to shareholders	5,378	44	12156.4%	4,998	7.6%	10,376	-2,749	NA	20,092	51.6%

Source: Maybank IBG Research

For the detailed earnings discussions of URC, TEL, MER and BPI, refer to the following reports:

Fig 2: JGS' subsidiary level earnings summary

PHPm	1H23	1H22	YoY	FY23E	Results	Relevant report
URC	6,201	6,662	7.4%	13,764	In line	Sustainable earnings trajectory
RLC	4,693	5,785	23.3%	10,400*	Ahead	
TEL	17,003	17,562	3.3%	33015	In line	Expanding bandwidth
MER	13,121	17,853	36.1%	36212	Ahead	Yield play
BPI	20,447	25,100	22.8%	49742	In line	Steadfast 1H23 growth

Source: Company; Maybank IBG Research

*Consensus estimate

For CEB:

- Total revenue reached PHP43.6b, up by 110.6% YoY, driven by passenger and ancillary revenue, which grew by 158.2% and 109.9% YoY, respectively. Cargo revenue, meanwhile, fell 44% YoY, due to lower yields and volumes. This is in line with our PHP91.5b forecast, at 48%.
- CEB flew 10.3m passengers in 1H23, 63.3% higher YoY, driving the seat load factor up by 10.2pps YoY to 84.8%. Number of flights was up by 47.5% YoY. Average fares rose by 58.2% YoY to PHP2,934, primarily due to an increase in the proportion of longer-distance international flights.
- These translated to 2Q23 net income of PHP2.7b, a reversal from 2Q22's PHP1.9b loss and up 148% QoQ, bringing 1H23 net income to PHP3.7b, a reversal from 1H22's PHP9.5b loss. This is ahead of consensus (FY23E: PHP3.3b).

- CEB expects to have 78 aircraft (+2 YoY) by YE23 after 17 deliveries and 15 exits.

For JGS Olefins:

- Total revenue declined by 31% YoY to PHP14.2b due to the strategic 5-month shutdown of the plant (Feb-Jun) as a result of low demand and competitive global pricing. This appears to be slightly ahead of our PHP26.0b forecast for the year but only because we expect base prices to further slide in 2H23.
- JGS Olefins continues to book losses of PHP6.0b in 1H23.
- The plant is operational as of 11 Aug 2023 and has no plans of shutting down in 2H23. Current utilization is at 75%, which the group intends to raise to 80% in 2H23.
- JGS Olefins has committed to keep its DE ratio at 2.5x to its lending banks, which implies that JGS' parent would need to infuse PHP10-11b in equity in 2H23. This will come from c.PHP7b in expected dividend income in 2H23 and drawdown of some debt. Nevertheless, parent debt should still be lower than the peak.

Group capex deployed reached PHP42b as of Jun 2023, higher than 1H22's PHP38.3b.

2. FY23/24 earnings adjustments

We raise our FY23/24 earnings forecasts on the back of the following:

Fig 3: Summary of FY23/24E earnings changes

PHPm	FY23 Old	FY23 New	YoY	FY24 Old	FY24 New	YoY	Notes
Revenue	310,968	320,860	3%	331,811	351,439	6%	See Sustainable earnings trajectory report. Factors in lower cargo and ancillary revenues due to reduced weekly flight frequency of 34/14 domestic/international flights, from 36/15 previously.
Foods	157,735	159,509	1%	165,662	168,300	2%	
Air transportation	91,485	87,263	-5%	102,029	101,219	-1%	
Real estate/ hotels	30,310	39,799	31%	31,861	41,735	31%	No change in passenger revenue assumptions. Factors in better-than-expected performance of malls and hotels in 1H23.
Petrochemicals	25,950	28,802	11%	32,259	40,185	25%	We raise our FY23/24 ASP assumption to factor in uptrend in oil prices. FY23/24 oil futures average at USD81.7/USD83.9 per bbl as of Sep 2023, from USD78.0/USD70.8 per bbl in May 2023.
Others	5,488	5,488	0%	-	-	-	Factors in higher FY23/24 (i) prices of sugar, energy, potato and coffee for URC (see Sustainable earnings trajectory report); and (ii) oil prices for CEB and JGS Olefins.
Cost of sales and services	-227,310	-235,630	4%	-246,465	-264,039	7%	
Gross profit	83,658	85,230	2%	85,346	87,401	2%	
GPM	26.9%	26.6%	-1%	25.7%	24.9%	-3%	
General and admin exp	-53,131	-54,227	2%	-54,694	-55,876	2%	
EBIT	30,527	31,003	2%	30,652	31,525	3%	
EBITM	9.8%	9.7%	-2%	9.2%	9.0%	-3%	
Interest Expense	-12,404	-12,433	0%	-13,076	-13,207	1%	
Interest Income	2,017	2,055	2%	2,141	2,257	5%	
Equity in net earnings of assocs and JVs	16,132	17,095	6%	15,994	16,463	3%	See Yield play report.
Other Income	-	-	-	-	-	-	
Net income before taxes	36,271	37,720	4%	35,711	37,038	4%	
Income tax (-)	-3,760	-3,256	-13%	-3,502	-3,256	-7%	
Effective tax rate	10.4%	8.6%	-17%	9.8%	8.8%	-10%	
Net income	32,512	34,465	6%	32,209	33,782	5%	
Less: Minority share	-13,168	-14,373	9%	-13,834	-15,237	10%	
Net income to shareholders	19,344	20,092	4%	18,375	18,545	1%	

Source: Maybank IBG Research

3. Valuation

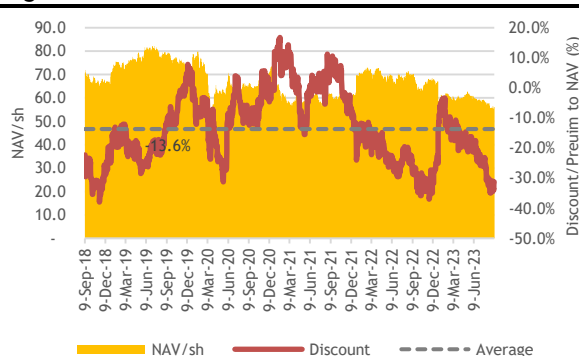
Our higher TP's for URC, TEL and MER are offset by the lower book value of JGS Olefins, which booked substantial losses in 1H23, such that our NAV-based TP for JGS is unchanged at PHP57. (We rolled forward our valuation base to mid-2024 for URC, TEL and MER.)

Fig 4: Target price computation

PHPm	Stake	Shares (m)	RNAV CP (PHP)	Attrib. val'n	Val'n method	Old TP TP (PHP)	Attrib. value	TP (PHP)	New TP Attrib. value	% Change	Remarks
URC	55.3%	2,204	115.9	141,143	DCF	160	194,848	170	207,026	6%	See Sustainable earnings trajectory report
RLC	61.0%	5,194	14.7	46,487	MV		46,424		46,487	0%	
CEB	67.8%	610	35	14,464	MV		17,769		14,464	-19%	
MER	26.4%	1,127	362.6	107,751	DCF	381	113,219	387	115,002	2%	See Yield play report
TEL	11.2%	216	1,096	26,592	DCF	1,920	46,585	1,978	47,992	3%	See Expanding bandwidth report
BPI	3.9%	4,919	108	20,666	PBV	123	23,536	128	24,492	4%	See Steadfast 1H23 growth report
Others				93,625			109,109		93,625	-14%	Reduced book value due to substantial losses incurred in 1H23
Asset Value				450,728			551,490		549,088	0%	
Net Debt				-50,400			-35,795		-35,795	0%	
NAV				400,328			515,695		513,293	0%	
NAV/sh				56			72		72	0%	
Discount				-31%			-20%		-20%	0%	
TP (PHP/sh)							57		57	0%	

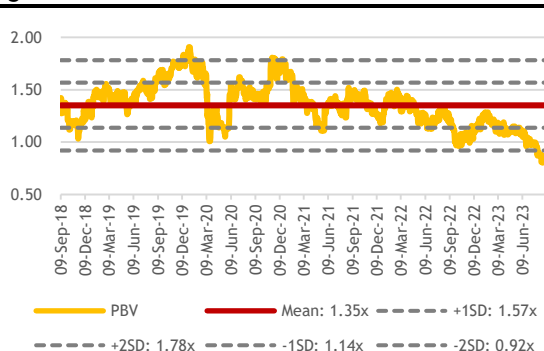
Source: Maybank IBG Research

Fig 5: Discount to NAV



Source: Maybank IBG Research

Fig 6: PBV band



Source: Maybank IBG Research

Fig 7: Peer comparison

	Mkt Cap USDb	CP (PHP/sh)	TP (PHP/sh)	Upside (%)	Rec	EPSg (%)		PER (x)		PBV (x)		Div yield (%)		ROE (%)	
						FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23	FY24E
SM	18.7	810.0	1,290	59.3%	BUY	25.6%	14.0%	12.7	11.1	1.7	1.5	0.8%	0.8%	13.7%	13.6%
AC	6.5	622.5	990	59.0%	BUY	37.0%	19.8%	10.3	8.6	1.0	0.9	1.1%	1.1%	10.4%	11.2%
JGS	5.1	37.2	57	53.2%	BUY	NA	-5.0%	14.5	15.2	0.8	0.8	1.1%	1.1%	5.8%	5.2%
MPI	2.6	5.1	6.8	28.4%	BUY	28.1%	16.1%	8.2	7.0	0.7	0.6	2.1%	2.1%	8.7%	9.0%
DMC	2.3	10.5	12	14.7%	BUY	-7.1%	-12.9%	4.8	5.5	1.2	1.0	9.2%	8.5%	24.1%	18.9%
GTCAP	2.1	586.5	1,020	73.9%	BUY	88.9%	4.8%	4.6	4.4	0.6	0.5	1.0%	1.0%	12.1%	11.3%

Source: Maybank IBG Research

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	89.9	nm	13.4	14.5	12.5
Core P/E (x)	78.0	nm	13.4	14.5	12.5
P/BV (x)	1.2	1.2	0.8	0.8	0.7
P/NTA (x)	0.4	0.4	0.2	0.2	0.2
Net dividend yield (%)	0.7	0.8	1.1	1.1	1.1
FCF yield (%)	10.7	nm	1.1	7.1	10.5
EV/EBITDA (x)	57.0	32.5	12.9	12.9	11.6
EV/EBIT (x)	nm	nm	19.2	19.6	16.9
INCOME STATEMENT (PHP m)					
Revenue	218,727.2	288,549.8	320,860.0	351,439.3	358,605.8
EBITDA	14,113.7	19,426.3	46,335.0	47,668.6	53,996.2
Depreciation	(14,523.3)	(14,520.8)	(15,332.4)	(16,144.0)	(16,955.5)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(409.6)	4,905.5	31,002.7	31,524.6	37,040.7
Net interest income / (exp)	(8,016.5)	(9,427.6)	(10,377.2)	(10,949.5)	(10,593.1)
Associates & JV	11,696.4	14,921.5	17,095.0	16,463.0	15,495.5
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	7,697.3	392.3	0.0	0.0	0.0
Pretax profit	10,967.6	10,791.7	37,720.4	37,038.1	41,943.1
Income tax	(362.4)	(2,750.3)	(3,255.5)	(3,255.8)	(5,382.4)
Minorities	(5,497.1)	(7,390.8)	(14,372.9)	(15,236.9)	(15,066.3)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	5,108.2	650.6	20,092.0	18,545.5	21,494.4
Core net profit	5,108.2	(2,549.4)	20,092.0	18,545.5	21,494.4
Preferred Dividends	(15.2)	(15.2)	(15.2)	(15.2)	(15.2)
Distributable Income	5,093.0	(2,564.6)	20,076.8	18,530.3	21,479.2
BALANCE SHEET (PHP m)					
Cash & Short Term Investments	82,890.1	79,071.7	85,814.0	95,251.8	95,283.1
Accounts receivable	72,223.7	41,427.3	44,814.0	49,392.4	50,174.4
Inventory	81,611.9	92,052.1	122,061.1	135,869.1	143,136.5
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	146,034.1	143,294.9	146,476.3	149,688.8	152,595.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	75,487.5	6,594.2	6,594.2	6,594.2	6,594.2
Other assets	565,287.4	710,761.5	741,161.5	748,611.5	756,061.5
Total assets	1,023,534.7	1,073,201.8	1,146,921.1	1,185,407.9	1,203,844.9
ST interest bearing debt	179,069.0	70,279.4	73,930.4	78,518.4	79,430.0
Accounts payable	65,995.6	91,917.5	61,805.7	78,338.0	84,284.6
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	200,830.5	153,779.9	217,508.9	227,625.8	221,803.6
Other liabilities	134,009.0	329,860.0	334,872.0	311,365.0	295,231.0
Total Liabilities	579,903.7	645,837.1	688,117.3	695,847.4	680,749.5
Shareholders Equity	335,308.9	319,932.0	336,999.6	352,520.7	370,990.7
Minority Interest	108,322.1	107,432.7	121,804.3	137,039.8	152,104.7
Total shareholder equity	443,631.0	427,364.7	458,803.8	489,560.5	523,095.4
Total liabilities and equity	1,023,534.7	1,073,201.8	1,146,921.1	1,185,407.9	1,203,844.9
CASH FLOW (PHP m)					
Pretax profit	10,967.6	10,791.7	37,720.4	37,038.1	41,943.1
Depreciation & amortisation	14,523.3	14,520.8	15,332.4	16,144.0	16,955.5
Adj net interest (income)/exp	23,825.3	22,638.9	24,326.9	25,637.7	26,019.6
Change in working capital	19,394.7	(44,760.9)	(29,744.7)	(13,798.5)	(7,137.7)
Cash taxes paid	(561.8)	(2,460.4)	(3,255.5)	(3,255.8)	(5,382.4)
Other operating cash flow	(3,323.1)	(85.0)	0.0	0.0	0.0
Cash flow from operations	62,814.9	(2,424.4)	41,712.0	58,519.2	69,036.9
Capex	(19,966.8)	(33,717.4)	(38,782.1)	(39,382.1)	(40,932.1)
Free cash flow	42,848.2	(36,141.8)	2,929.9	19,137.2	28,104.8
Dividends paid	(7,293.6)	(3,025.7)	(3,025.7)	(3,025.7)	(3,025.7)
Equity raised / (purchased)	32,209.3	(21,281.9)	0.0	0.0	0.0
Change in Debt	(30,432.2)	29,830.0	38,629.2	3,142.2	(16,009.5)
Other invest/financing cash flow	(35,932.7)	26,801.1	(31,791.1)	(9,815.8)	(9,038.2)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,398.9	(3,818.4)	6,742.3	9,437.8	31.3

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	3.2	31.9	11.2	9.5	2.0
EBITDA growth	(14.5)	37.6	138.5	2.9	13.3
EBIT growth	nm	nm	532.0	1.7	17.5
Pretax growth	236.3	(1.6)	249.5	(1.8)	13.2
Reported net profit growth	nm	(87.3)	2,988.1	(7.7)	15.9
Core net profit growth	nm	nm	nm	(7.7)	15.9
Profitability ratios (%)					
EBITDA margin	6.5	6.7	14.4	13.6	15.1
EBIT margin	nm	1.7	9.7	9.0	10.3
Pretax profit margin	5.0	3.7	11.8	10.5	11.7
Payout ratio	56.2	nm	15.1	16.3	14.1
DuPont analysis					
Net profit margin (%)	2.3	0.2	6.3	5.3	6.0
Revenue/Assets (x)	0.2	0.3	0.3	0.3	0.3
Assets/Equity (x)	3.1	3.4	3.4	3.4	3.2
ROAE (%)	1.6	0.2	6.1	5.4	5.9
ROAA (%)	0.5	(0.2)	1.8	1.6	1.8
Liquidity & Efficiency					
Cash conversion cycle	166.7	83.1	94.5	128.5	129.3
Days receivable outstanding	115.7	70.9	48.4	48.3	50.0
Days inventory outstanding	170.8	134.4	163.6	175.8	190.1
Days payables outstanding	119.8	122.2	117.4	95.5	110.8
Dividend cover (x)	1.8	0.2	6.6	6.1	7.1
Current ratio (x)	1.0	1.0	1.2	1.3	1.3
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.7	1.7	1.7	1.8
Net gearing (%) (incl perps)	66.9	33.9	44.8	43.1	39.4
Net gearing (%) (excl. perps)	66.9	33.9	44.8	43.1	39.4
Net interest cover (x)	na	0.5	3.0	2.9	3.5
Debt/EBITDA (x)	nm	11.5	6.3	6.4	5.6
Capex/revenue (%)	9.1	11.7	12.1	11.2	11.4
Net debt/ (net cash)	297,009.4	144,987.6	205,625.2	210,892.4	205,950.5

Source: Company; Maybank IBG Research

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Malaysia

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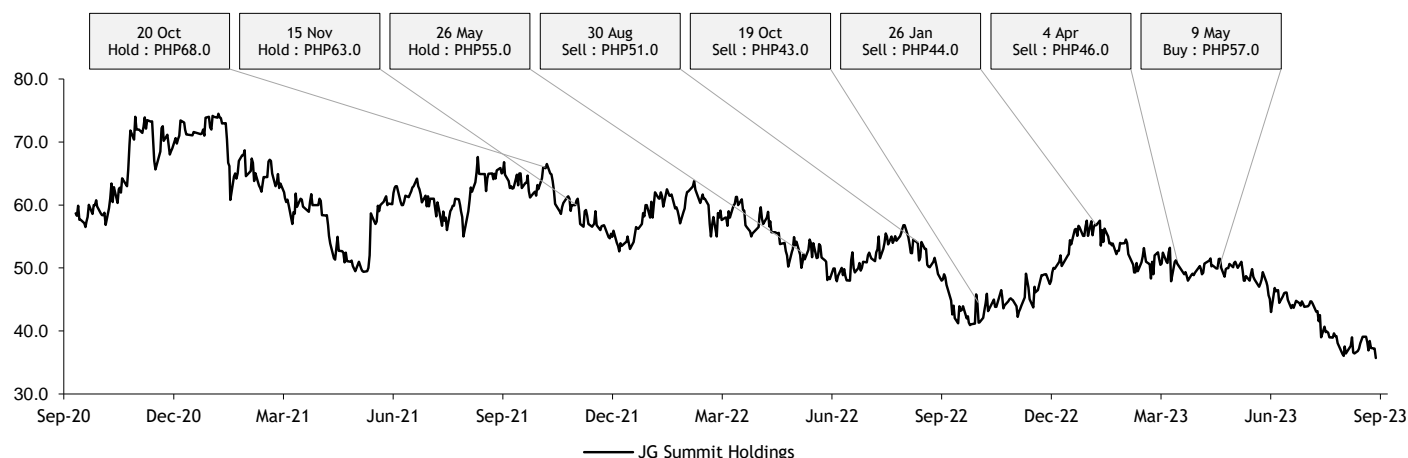
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